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State Department review completed

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SUMMARY

FAR EAST

1. South Korea sharply curtails currency advances to UN Command (page 3).
2. Comment on election of Chinese Communist leaders (page 3).

25X1

NEAR EAST - AFRICA

4. Arabs increasingly see need for peace with Israel (page 5).
5. Comment on the Syrian elections (page 6).

WESTERN EUROPE

6. Mendes-France launches anti-American press campaign (page 6).

25X1

LATE ITEM

8. Comment on Pakistani government situation (page 8).

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FAR EAST

1. South Korea sharply curtails currency advances to UN Command:

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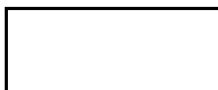
The Bank of Korea recently approved the advance of only 100,000,000 hwan to the deposit account of the United Nations Command, in response to a request for over one billion, according to the American embassy in Seoul. The requested funds represented a six-week requirement for the command.

Comment: The action violates a July 1950 agreement between the United States and South Korea providing that South Korea should furnish requested currency and credits to the UN Command for expenditures arising out of operations within Korea.

The South Korean finance minister informed the UN commander on 16 September that after 1 October no further hwan advances to American forces would be made except on concurrent payment in dollars at the unrealistic rate of 180-1. This action, plus the curtailment of hwan advances, appears designed to strengthen Rhee's hand in negotiations now under way with American authorities in Seoul on revision of the exchange rate and settlement of hwan drawings. The United States has made South Korea's acceptance of a realistic exchange rate one of the prerequisites for future American aid.

2. Comment on election of Chinese Communist leaders:

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The 1,210 delegates to the Chinese Communist National People's Congress meeting in Peiping on 27 September elected to the four top posts in the government the four party leaders who were expected to get them.

Mao Tse-tung, 60, chairman of the regime for four more years, will almost certainly continue to dominate the party and government, although his scope of activity may be reduced by ill-health. Chu Teh, 68, commander in

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chief of the armed forces and now the sole vice chairman of the regime, will be Mao's formal successor in the event of the latter's death or serious illness. Chu, it is believed, will have little real power. The election of Liu Shao-chi, 54, as chairman of the powerful Standing Committee of the National People's Congress, confirms that he holds a position second only to Mao. Chou En-lai, 56, will continue as premier, but under the new constitution will have somewhat broader powers than he has had to date.

Selection of the 13 vice chairmen of the Standing Committee shows a continued emphasis on the fiction of the "united front" and participation by minority nationalities. The seven vice chairmen of the corresponding organization under the former system have been returned to office, with the exception of Chu Teh and Kao Kang. Kao, a politburo member and long the regime's leader in the Northeast (Manchuria), has been out of the news since January 1954, was not mentioned during the current congress, and appears definitely to be out of favor. [REDACTED]

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NEAR EAST - AFRICA

4. Arabs increasingly see need for peace with Israel:

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Responsible leaders in Jordan and other nearby Arab states are showing increasing realization that some settlement with Israel should be made, according to

Ambassador Mallory in Amman. He reports that many private conversations have indicated this change and that public Arab reaction to the recent British suggestion for peace talks has been less violent than would have been true six months ago.

Mallory points out, however, that the key to any peace talks is the Israeli attitude and foreign policy. He warns that unless Israel shows some restraint in return for the prospect of a peace settlement, it would be "useless for the major powers to keep devising gimmicks and approaches" to the problem.

Comment: Despite Israel's public overtures this week to the Arab states, the Israelis do not appear willing to initiate a restrained border policy to the extent necessary for obtaining Arab agreement for peace negotiations.

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5. Comment on the Syrian elections:

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Returns from the Syrian elections received thus far indicate that Syria will have a civilian, conservative, pro-Western government.

A large bloc of independents led by former prime minister Khalid al Azm is running well ahead of ex-president Shukri Quwatli's Nationalist Party. Conservatives are being returned in large numbers, although the election of two Communists and several other radicals indicates increased leftist strength. The very fact that the elections were held--after several postponements and despite considerable violence--lays to rest at least temporarily the threat of an open return to power of the military.

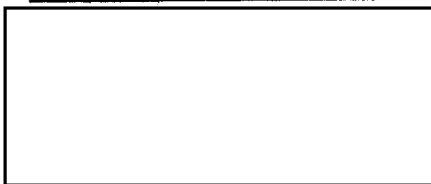
By his election Khalid Bakdash, the leading Communist in the Arab world, acquires considerable public stature throughout the area. His presence in parliament will add weight to the anti-Westernism in Syria.

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WESTERN EUROPE

6. Mendes-France launches anti-American press campaign:

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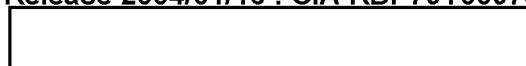


Premier Mendes-France has launched a press campaign claiming that the American government and particularly Secretary of State Dulles are attempting to overthrow his government. Ambassador Dillon in Paris comments that this campaign is in preparation for the difficulties the premier will face when parliament reconvenes. Mendes-France is seeking to rally national feeling to his side as successfully as he did after the Brussels conference.

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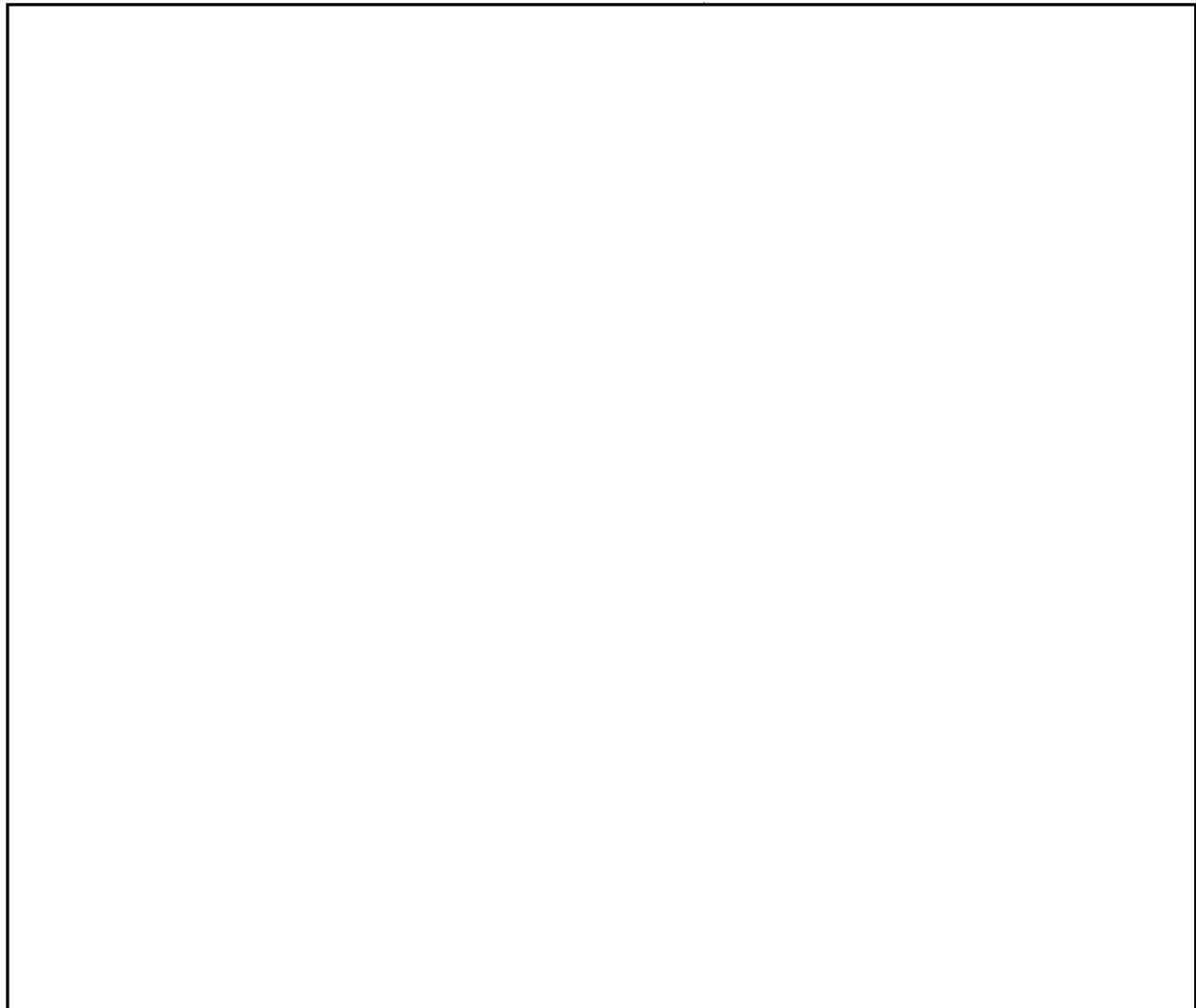


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The semiofficial French Press Agency is being reorganized, reportedly to reflect a progovernment orientation. The reported director-designate is Jean Marin, a conservative Gaullist and pro-American but also a close friend of Interior Minister Mitterrand, who is now under fire for alleged Communist sympathies.

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